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DE RUEHME #4017/01 2112241

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FM AMEMBASSY MEXICO

TO RUEHC/SECSTATE WASHDC PRIORITY 8200

INFO RUEHXC/ALL US CONSULATES IN MEXICO COLLECTIVE PRIORITY

RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY

RUEHRC/DEPT OF AGRICULTURE WASHDC PRIORITY

RHEBAAA/DEPT OF ENERGY WASHINGTON DC PRIORITY

RUEHC/DEPT OF LABOR WASHDC PRIORITY

RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY

RHMFUU/CDR USSOUTHCOM MIAMI FL PRIORITY

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RHEHNSC/NSC WASHDC PRIORITY

UNCLAS SECTION 01 OF 02 MEXICO 004017

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SENSITIVE

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STATE FOR A/S SHANNON

STATE FOR WHA/MEX, WHA/EPSC, EB/IFD/OMA

STATE FOR WHA GSPROW

STATE FOR EB/ESC MCMANUS AND IZZO

USDOC FOR 4320/ITA/MAC/WH/ONAFITA/GWORD

USDOC FOR ITS/TD/ENERGY DIVISION

TREASURY FOR IA (ALICE FAIBISHENKO)

DOE FOR INTERNATIONAL AFFAIRS KDEUTSCH AND ALOCKWOOD

STATE PASS TO USTR (EISSENSTAT/MELLE)

STATE PASS TO FEDERAL RESERVE (CARLOS ARTETA)

NSC FOR DAN FISK

E.O. 12958: N/A

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SUBJECT: MEXICO ECONOMIC NOTES, JULY 14 - JULY 27

Summary

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11. (SBU) Senior Mexican officials told Commerce Assistant Secretary Bohigian they wanted more participation from U.S.

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Cabinet level officials to push the prosperity agenda at the upcoming North America SPP Summit. While the Confederation of Mexican Workers (CTM) publicly announced its support for President Calderon's fiscal reform initiative, other CTM members do not support it. Pemex reported that Mexico has less than seven years of oil production remaining at current rates. The USG trained more than 50 Mexican officials in IPR enforcement. Consumer price inflation rose 0.25% in the first half of July.

Need More Ministerial Senior Participation

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12. (SBU) Representatives from the Economy Secretariat used a meeting with Commerce A/S David Bohigian to again express their desire for the upcoming Leader's meeting in Canada to be under the auspices of the Security and Prosperity Partnership (SPP). Undersecretary for Trade, Beatriz Leycegui, and Chief Advisor to the Minister of Economy Alberto Ortega both said that the SPP is the proper forum for the meeting and asked for U.S. support in making sure the SPP agenda is advanced. They further said that the current agenda is too focused on security without a proper balance of prosperity issues. They requested that there be more participation from Cabinet level officials to push the prosperity agenda and requested Commerce Secretary Guittierrez's participation as a complement to Economy Secretary Sojo, who will be attending.

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#### CTM Supports Fiscal Reform, but members differ

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13. (SBU) Joaquin Gamboa Pascoe, the national leader for the Confederation of Mexican Workers (CTM), the largest labor federation in Mexico has publicly announced his organization's support for President Calderon's fiscal reform initiative. According to Gamboa, the reform is a necessary measure and, in his view, does not negatively affect the interests of Mexico's workers. In the same public statement Gamboa indicated that he had met with Mexico's Treasury Secretary, Agustin Carstens, to discuss the reform and

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received assurances from him that the proposed reform would protect the current legal rights of workers. Gamboa's public position on the GOM's fiscal reform initiative is at odds with the private positions of some members of the CTM National Executive Committee. One member of the Committee in particular, who is also a federal deputy who will vote on the initiative, is reportedly very much opposed to the reform. At this point it is not clear whether the federal deputy has changed his view, is going to quietly oppose his union's national leader, or will follow Gamboa's orders in this matter despite his own reservations on the issue.

#### Embassy Trains Mexican Customs Officials

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14. (SBU) The Embassy, together with the Departments of Justice and Homeland Security, and supported by the World Customs Organization, held a five-day training course on detecting and detaining imports of pirated and counterfeit goods for more than 50 Mexican customs and law enforcement officials at the Port of Veracruz July 23-27. See septel for a detailed read-out.

Pemex: Only Seven Years of Oil Left

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15. (U) In an SEC filing, Pemex reported developed proven oil reserves of 8.978 billion barrels and annual production of 1.332 billion barrels implying that Mexico has less than seven years of production remaining at current rates. Previously, Pemex had reported 9.3 years of reserves remaining at current production rates. A Pemex spokesman noted that the SEC filing did not include 3.92 billion barrels of reserves "under development," which would add an additional 2.9 years to Pemex's remaining production. Meanwhile Mexican private sector organizations called for changes in the country's restrictive energy policy. The Businessmen's Coordinating Council (CCE) called on the government and congress to open hydrocarbon development to the private sector, making it a "real platform for development." The Mexican Businessman's Council proposed changing Pemex's legal framework to permit the company access to new technologies, financial resources, and specialized personnel.

#### Inflation Up

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16. (U) Consumer price inflation rose 0.25% in the first half of July, resulting in increased annual inflation rate of 4.08%. A Bank of Mexico (BOM) report said the prices of dairy, tomatoes, and other food products rose and thus resulted in overall higher consumer prices. Analysts believe that the BOM will face continued pressure to raise interest rates by a quarter percentage point to 7.5%. The BOM has stated that it will resist the urge to hike interest rates, as their predictions see inflation rates dropping below 4% by mid-August. Core inflation rose 0.20% in the first half of the month of July.

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